

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 14232 01 OF 02 041026Z
ACTION TRSE-00

INFO OCT-01 NEA-11 ISO-00 AID-05 EB-08 XMB-02 SS-15
COME-00 CIAE-00 INR-10 NSAE-00 OMB-01 ICA-11 L-03
/067 W
-----071757 041033Z /15

R 041011Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9915
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

LIMITED OFFICIAL USE SECTION 01 OF 02 CAIRO 14232

DEPT PASS USAID

E.O. 11652: N/A
TAGS: ETEL, BEXP, EAID, EG
SUBJ: TELECOMMUNICATIONS PROJECT FOR EGYPT

REF: STATE 115363 (NOTAL)

SUMMARY: U.S. TELEPHONE COMPANY REPS, NOW VISITING EGYPT
ARE CONVINCED EGYPTIANS WISH DEAL DIRECTLY WITH AMERICAN
CONSORTIUM TO PROVIDE "SYSTEMS APPROACH" TO REHABILITA-
TION OF TELECOMMUNICATIONS NETWORK. THEY BELIEVE THAT
AID FINANCING OF FIRST "QUICK-FIX" PORTION OF PROGRAM
WILL BE ESSENTIAL IN ATTRACTING FOLLOW-ON FINANCING FROM
SAUDIS. HOWEVER, IN THEIR VIEW, OPENING OF "QUICK-FIX"
CONTRACT TO COMPETITIVE PROPOSALS UNDER STANDARD AID
PROCEDURES WOULD, CONTRARY TO EGYPTIAN DESIRES, CREATE
UNNECESSARY DELAYS AND MIGHT ALSO GIVE FOREIGN COMPETITORS
BETTER CHANCE TO BECOME INVOLVED. CHARGE, IN MEETING WITH
GROUP, ASSURED THEM OF COMPLETE EMBASSY SUPPORT FOR
OBJECTIVE OF HAVING U.S. FIRM CHOSEN TO UNDERTAKE PROJECT,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 14232 01 OF 02 041026Z

BUT NOTED NORMAL REQUIREMENT IN CONNECTION WITH AID
FINANCING THAT THERE BE EQUAL OPPORTUNITY FOR ALL
APPROPRIATE U.S. FIRMS TO BE CONSIDERED. END SUMMARY.

1. OFFICIALS OF THREE U.S. TELECOMMUNICATIONS FIRMS
WHICH COMPRISE CONSORTIUM INTERESTED IN UNDERTAKING
EGYPTIAN TELECOMMUNICATIONS REHABILITATION PROJECT

(REFTEL) CALLED ON CHARGE JUNE 1 TO DISCUSS PROJECT AND REVIEW RESULTS OF THEIR MEETINGS PREVIOUS DAY WITH PRESIDENT SADAT, PRIMIN SALEM, MINISTER OF COMMUNICATIONS ABU TALEB, PEOPLES ASSEMBLY SPEAKER SAYED MAREI, AND OTHER EGYPTIAN OFFICIALS. U.S. GROUP INCLUDED CHAIRMEN DEBUTTS, WOHLSTETTER AND BROPHY OF ATT, CONTINENTAL AND GTE, RESPECTIVELY.

2. TELEPHONE COMPANY OFFICIALS EMPHASIZED ENORMOUS IMPORTANCE EGYPTIANS PLACE ON MASSIVE AND IMMEDIATE IMPROVEMENT OF TELECOMMUNICATIONS SYSTEM. THEY STATED THAT SPEAKER MAREI AND OTHERS HAD STRESSED NECESSITY FOR BEGINNING PROCESS OF IMPROVEMENT IN TIME FOR PRESIDENT SADAT TO BE ABLE TO ANNOUNCE IN JULY 23 REVOLUTION DAY ADDRESS THAT CONCRETE ACTION HAD ALREADY BEEN TAKEN TO RESOLVE TELEPHONE PROBLEMS. EGYPTIANS, ACCORDING U.S. GROUP, ASKED FOR PROPOSALS FROM U.S. CONSORTIUM BY MID-JUNE, AND ALTHOUGH IT WAS IMPOSSIBLE TO MEET THIS DEADLINE, PROPOSALS WILL BE READY BY END OF MONTH. U.S. GROUP STATED THAT IT IS THEIR CLEAR IMPRESSION THAT GOE INTENDS DEAL DIRECTLY AND EXCLUSIVELY WITH CONSORTIUM IN DEVELOPING "SYSTEMS APPROACH" TO TELECOMMUNICATIONS REHABILITATION, ALTHOUGH SPECIFIC ITEMS OF EQUIPMENT MIGHT BE PROCURED ON OPEN, COMPETITIVE BASIS.

3. DESPITE EGYPTIAN DESIRE TO NEGOTIATE DIRECTLY WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CAIRO 14232 01 OF 02 041026Z

U.S. CONSORTIUM, COMPANY OFFICIALS SAID, QUESTION OF FINANCING REMAINS BE RESOLVED. CONSORTIUM HAS ALREADY APPROACHED INTERNATIONAL BANKING COMMUNITY FOR A PROTION WHO IS WORKING WITH U.S. GROUP, IS EXPECTED ASSIST IN SECURING FINANCING FROM SAUDI SOURCES. NEVERTHELESS, ACCORDING ATT CHAIRMAN DEBUTTS, SAUDI ASSISTANCE WOULD BE STRONGLY INFLUENCED BY FACT AND DEGREE OF USG PARTICIPATION IN FINANCING OF TELECOMMUNICATIONS PROGRAM.

4. IN THIS CONNECTION U.S. GROUP EXPRESSED STRONG VIEW THAT IT IS ESSENTIAL TO SUCCESS OF OVERALL PLAN THAT AID FUNDS INTENDED FOR PRELIMINARY "QUICK-FIX" STAGE OF TELECOMMUNICATIONS EFFORT BE MADE AVAILABLE TO CONSORTIUM. GROUP WAS DISTURBED WHEN EMBOFF NOTED IT WAS HIS UNDERSTANDING THAT AID INTENDED PUBLICIZE PROJECT AND SEEK COMPETITIVE PROPOSALS FOR UNDERTAKING "QUICK-FIX" EFFORT. U.S. CONSORTIUM CLAIMED ITS MEMBERS COMPRISE THE ONLY U.S. FIRMS CAPABLE OF UNDERTAKING EFFORT. ATT'S DEBUTTS ASKED "WHOSE INTEREST IS BEING PROTECTED BY SEEKING COMPETITIVE PROPOSALS-- ITT'S? THEY MAKE ALL THEIR EQUIPMENT IN EUROPE." CONSORTIUM REPS ARGUED THAT DELAYS CAUSED BY

COMPETITIVE PROCEDURE WOULD, DESPITE BASIC EGYPTIAN PREFERENCE FOR AMERICAN TECHNOLOGY, SIMPLY ALLOW EUROPEAN COMPETITORS GREATER OPPORTUNITY TO BECOME INVOLVED. MOREOVER, ACCORDING U.S. GROUP, GOE DOES NOT WANT AID TO USE COMPETITIVE PROCEDURE BECAUSE EGYPTIANS SEEK INTEGRATED APPROACH OFFERED BY CONSORTIUM AND BECAUSE THEY WANT TO BE IN POSITION TO SIGN CONTRACT IN TIME FOR JULY 23 ANNOUNCEMENT. CONSORTIUM REPS INDICATED IT IS THEIR UNDERSTANDING THAT AN INITIAL \$40 MILLION IN AID FUNDS IS AVAILABLE IN CURRENT FISCAL YEAR FOR TELECOMMUNICATIONS, WITH PROSPECT OF A FURTHER \$60 MILLION.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 CAIRO 14232 02 OF 02 041031Z
ACTION TRSE-00

INFO OCT-01 NEA-11 ISO-00 AID-05 ICA-11 EB-08 XMB-02
SS-15 COME-00 CIAE-00 INR-10 NSAE-00 OMB-01 L-03
/067 W

-----071771 041033Z /15

R 041011Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9916
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

LIMITED OFFICIAL USE SECTION 02 OF 02 CAIRO 14232

5. CHARGE EMPHASIZED IN HIS REMARKS EMBASSY'S COMPLETE UNDERSTANDING OF IMPORTANCE OF HAVING AN AMERICAN FIRM SUCCEED IN WINNING AWARD TO UNDERTAKE TELECOMMUNICATIONS RESTRUCTURING PROJECT. AT SAME TIME, USG COULD NOT PUT ITSELF IN POSITION OF FAVORING ONE U.S. COMPANY, OR GROUP OF COMPANIES, OVER OTHERS. AID, MOREOVER, HAD ITS OWN LEGISLATIVELY-AND ADMINISTRATIVELY-IMPOSED REQUIREMENTS WHICH HAVE TO BE TAKEN INTO ACCOUNT. CHARGE SAID HE WOULD DISCUSS MATTER IN DETAIL WITH AID OFFICIALS HERE, BUT FINAL DECISION WOULD PROBABLY HAVE TO BE MADE IN WASHINGTON. CHARGE ALSO INDICATED HE WOULD BE DISCUSSING TELECOMMUNICATIONS PROJECT WITH GOE OFFICIALS IN NEXT FEW DAYS AND WOULD HAVE OPPORTUNITY HEAR EGYPTIAN VIEWS DIRECTLY.

6. COMMENT: AS DEPARTMENT AWARE, PROCESS OF ANNOUNCING

TELECOMMUNICATIONS PROJECT AND INVITING PROPOSALS FOR IMPLEMENTING "QUICK-FIX" PROGRAM HAS ALREADY BEEN INITIATED. HOWEVER, EMBASSY AND USAID ARE GETTING MIXED SIGNALS FROM GOE AS TO HOW MUCH GOE IN FACT DOES SUPPORT CONSORTIUM'S EFFORTS AT OBTAINING SOLE, NEGOTIATED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 14232 02 OF 02 041031Z

CONTRACT FOR UNDERTAKING. FOR EXAMPLE, IN MEETING HELD SUBSEQUENT TO ABOVE CONVERSATION WITH MINISTER OF ECONOMY EL SAYEH, WHO WAS PRESENT AT GROUP'S MEETING WITH PRESIDENT SADAT, EL SAYEH SAID THAT PRESIDENT HAD MADE NO SPECIFIC COMMITMENT TO CONSORTIUM THAT IT IS GOE'S "CHOSEN INSTRUMENT" FOR UNDERTAKING TELECOMMUNICATIONS PROJECT. EL SAYEH ALSO SAID THAT IN THAT PARTICULAR MEETING THERE HAD BEEN NO DISCUSSION OF NEED FOR SPECIFIC ANNOUNCEMENT BY JULY 23. IN DISCUSSIONS EARLIER IN WEEK WITH MINISTER OF COMMUNICATIONS, USAID DIRECTOR HAD BEEN TOLD THAT GOE CLEARLY WAS INTERESTED IN COMPETITIVE PROPOSALS ON TELECOMMUNICATIONS, ALTHOUGH GOE WOULD OBVIOUSLY TAKE INTO ACCOUNT ANY FINANCING ARRANGEMENTS THAT PROPOSERS MIGHT MAKE AS PART OF THE COMPETITIVE ELEMENT. AT LEVEL OF ARETO, THE OPERATING TELECOMMUNICATIONS AUTHORITY, ARETO MANAGEMENT HAS DISTINCTLY BEEN TALKING TO USAID OFFICIALS IN COMPETITIVE TERMS WITH RESPECT TO AID'S PROPOSED \$40 MILLION FY 1978 PROJECT FOR TELECOMMUNICATIONS. WE WILL IN COURSE OF NEXT SEVERAL DAYS SEEK TO GET CLEAR VIEW OF GOE REACTION TO CONSORTIUM PROPOSALS. HOWEVER, WE WOULD WELCOME CURRENT DEPARTMENT AND AID VIEWS ON THE CONSORTIUM APPROACH AND WHAT EFFECT THIS MIGHT HAVE ON USUAL VIEWS REGARDING COMPETITIVE PROCEDURES IN CONNECTION WITH ANY AID FINANCING. MATTHEWS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TELECOMMUNICATION, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 04 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO14232
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780233-0905
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780698/aaaadgql.tel
Line Count: 206
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c13cbe92-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 115363
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2497956
Secure: OPEN
Status: NATIVE
Subject: TELECOMMUNICATIONS PROJECT FOR EGYPT
TAGS: ETEL, BEXP, EAID, EG
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/c13cbe92-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014